AZ CORP BEFORE THE ARIZONA CORPORATION



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COMMISSIONERS

SUSAN BITTER SMITH, Chairman **BOB STUMP** BOB BURNS DOUG LITTLE TOM FORESE

Anzona Corporation Commission 2015 AUG 11 DOCKETE

AUG 1 1 2015

DOCKETED BY

IN THE MATTER OF THE FORMAL COMPLAINT OF BRIAN RAK AGAINST JOHNSON UTILTIES, L.L.C.

DOCKET WS-02987A-15-0261

ANSWER

Johnson Utilities, L.L.C. ("Johnson Utilities" or the "Company") hereby files its answer ("Answer") to the formal complaint ("Complaint") filed by Brian Rak ("Mr. Rak" or the "Complainant") on July 13, 2015, which the Company received via certified mail on July 17, 2015.

For its Answer, Johnson Utilities admits, denies and alleges as follows:

GENERAL RESPONSE TO ALLEGATIONS OF THE COMPLAINT

- Upon information and belief, Complainant is the son of Marlene Rak ("Ms. Rak") 1. who owned a residence at 1343 E. Santa Fiore Street, San Tan Valley, Arizona 85140 (the "Service Address").
 - 2. Upon information and belief, Ms. Rak passed away on or about July 10, 2014.
- 3. Johnson Utilities admits that the Service Address is located within its sewer certificate of convenience and necessity ("CC&N") and that prior to her death, Ms. Rak was receiving sewer service from the Company (the "Marlene Rak Account") at the Service Address. Johnson Utilities alleges that the Service Address is not located with the Company's water CC&N and Ms. Rak did not receive water service from Johnson Utilities.
- Complainant alleges that Ms. Rak had a "transfer on death beneficiary deed on file" and that he became the owner of the house at the Service Address upon her death.²

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¹ The Complaint is comprised of two hand-written pages on the Arizona Corporation Commission's formal complaint form dated June 27, 2015 ("Formal Complaint Form"), and a two-page type-written letter dated June 26, 2015, with attachments.

² Letter from Brian Rak to Arizona Corporation Commission dated 6/26/2015 at 1.

Complainant further alleges that he became the owner of the house at the Service Address in August 2014.³ Johnson Utilities lacks information or knowledge sufficient to form a belief as to the truth of these allegations and therefore denies the same.

- 5. Complainant alleges that he sent one e-mail to Johnson Utilities in August 2014 and another e-mail in October 2014 notifying the Company of Ms. Rak's death and the need to "change the account and put it into [his] name." Complainant further alleges that Johnson Utilities "told [the] Arizona Corporation Commission they received" the e-mails. Johnson Utilities denies receiving any e-mails from Mr. Rak during the July 2014 to February 2015 time period. Based upon a review of Company records, the only e-mail that Johnson Utilities received from Complainant was sent on March 7, 2015 at 10:17 PM, as discussed below. Johnson Utilities denies telling anyone at the Arizona Corporation Commission ("Commission") that it received e-mails from Complainant.
- 6. On July 23, 2014, Johnson Utilities received a check and accompanying payment coupon for the Marlene Rak Account. According to the electronic notes in the Company's computerized billing system, a hand written notation was included on the payment coupon stating that Ms. Rak was deceased.⁶ Upon information and belief, the notation on the payment coupon did not include a phone number or e-mail address for Mr. Rak.
- 7. According to electronic notes in the Company's computerized billing system, on July 25, 2014, a customer service representative for Johnson Utilities called the phone number listed in the billing system for the Marlene Rak Account to follow-up regarding the notation written on the payment coupon, but there was no answer and there was no voice mail set up for the phone number. In July 2014, there was no e-mail address listed for the Marlene Rak Account.
- 8. Payments on the Marlene Rak Account were made timely in August, September, October, November and December 2014. Upon information and belief, these payments were all made using checks drawn on an account in the name of Complainant.

³ Formal Complaint Form at 2.

⁴ Letter from Brian Rak to Arizona Corporation Commission dated 6/26/2015 at 1.

⁵ Formal Complaint Form at 2.

⁶ Johnson Utilities experienced a server failure last year and the Company does not have a copy of the payment coupon or the check received in July 2014.

- 10. E-bill gives a customer of Johnson Utilities Internet-based access to their monthly billing statements, past and current. A customer who is set up on e-bill may elect to receive monthly bills by e-mail or by U.S. Mail. When the Marlene Rak Account was set up on e-bill, the election was made to receive bills by U.S. Mail and not by e-mail. As of the date of this Answer, e-bill for the Service Address is set up so that bills are sent by U.S. Mail and not by e-mail.
- 11. On December 10, 2014, Johnson Utilities received a check and payment coupon for the Marlene Rak Account.⁷ A hand-written notation was included on the payment coupon inside a box captioned "Please Make Address Corrections Here." The hand-written notation contained the name Brian Rak and the Service Address. The notation did not include a phone number or e-mail address for Mr. Rak.
- 12. Complainant alleges that he gave Johnson Utilities his e-mail and phone number. Johnson Utilities denies that Complainant provided his e-mail address or phone number to the Company prior to the date that he sent an e-mail dated March 7, 2015 at 10:17 PM, as discussed below. Johnson Utilities admits that the March 7, 2015 e-mail contains a phone number for Complainant.
- 13. Before service on the Marlene Rak Account was disconnected on March 5, 2015, the last payment received by the Company was on December 10, 2014.
- 14. On or about January 1, 2015, Johnson Utilities mailed a bill for sewer service via U.S. Mail to the Service Address. The bill covered service for the period November 25, 2014 to December 25, 2014 and contained a payment due date of January 15, 2015. The Company did not receive payment on the bill.

⁷ Copies of the check and payment coupon are not being filed with this Answer in order to protect the privacy of Complainant's account information. However, copies of these documents will be provided to Complainant upon request.

- 16. On or about February 1, 2015, Johnson Utilities mailed a bill for sewer service via U.S. Mail to the Service Address. The bill covered service for the period December 25, 2014 to January 25, 2015, and it included a past due balance for the prior month. The due date for this bill was February 15, 2015. The Company did not receive payment on the bill.
- 17. On or about February 18, 2015, a second disconnection notice was mailed to the Service Address via U.S. Mail showing a past-due balance for the prior two months and advising that "service for this property will be disconnected if payment is not received by 4:45 PM: 3/3/2015."8
- 18. Complainant alleges that all mail service to Ms. Rak was stopped starting in January 2015. Johnson Utilities lacks information or knowledge sufficient to form a belief as to the truth of this allegation and therefore denies the same. Johnson Utilities alleges that no mail sent to the Service Address was returned to the Company as undeliverable.
- 19. Complainant alleges that he cannot pay a bill if he does not receive a bill. Arizona Administrative Code R14-2-608(D)(3) states that "[f]ailure to receive bills or notices which have been properly placed in the United States mail shall not prevent such bills from becoming delinquent nor relieve the customer of his obligations therein." Johnson Utilities alleges that bills for sewer service at the Service Address for January and February 2015 were properly placed in the U.S. mail and that failure of the customer to receive those bills did not prevent the bills from

was disconnected on March 5, 2015, pursuant to the February 18, 2015 disconnection notice.

⁸ In January 2015, Johnson Utilities began disconnecting customers for non-payment of bills 10 days after the bill was due. Prior to that, the Company did not disconnect accounts for non-payment until 40 days after the bill was due. During the first few months of 2015, Johnson Utilities based disconnections on a set dollar amount in order to reduce the number of disconnections to a workable number during the transition. For February 2015, the sewer-only accounts that were disconnected had a past due balance greater than \$45. Because the Marlene Rak account had a past due balance less than \$45 in February 2015, service was not disconnected on February 3, 2015 as stated in the January 19, 2015 disconnection notice. However, in March 2015 the past due balance on the Marlene Rak Account had exceeded \$45 so service

⁹ Letter from Brian Rak to Arizona Corporation Commission dated 6/26/2015 at 2.

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becoming delinquent or relieve the customer of the obligation to pay the bills. Johnson Utilities further alleges that neither the January nor February 2015 bills were returned to the Company as undeliverable.

- 20. Between February 25, 2015 and February 27, 2015, a Johnson Utilities field technician posted a courtesy notice on the front door of the Service Address stating that the Marlene Rak Account was past due and instructing the customer to immediately contact the Company to avoid disconnection of service. 10 The notice further stated that "[i]f service has been disconnected, do not use water within this residence until you have contacted our office as your sewage may back up into your home."
- 21. The past-due payment was not received by Johnson Utilities on the Marlene Rak Account and sewer service was disconnected at the Service Address on March 5, 2015. Johnson Utilities denies that sewer service was disconnected at the Service Address on March 8, 2015, as alleged by Complainant in his hand-written formal complaint.
- 22. Because Johnson Utilities does not provide water service to the Service Address, sewer service was disconnected by placing a plug in the sewer lateral outside the residence.
- 23. Complainant alleges that Johnson Utilities did not provide prior notice of the disconnection of sewer service at the Service Address. 11 Johnson Utilities denies this allegation and alleges that the Company provided at least three written notices of the disconnection prior to the date of disconnection.
- 24. On Saturday, March 7, 2015, at 10:17 PM, Johnson Utilities received an e-mail from Complainant stating as follows:

I just got a disconnect notice on 3/7/2015 I haven't received a bill since 12/15/2014 due date which I paid no Bill for the year 2015 if u don't send me a bill how can I pay it please call me at 602-507-1343 as soon as possible

25. Complainant's March 7, 2015 e-mail makes no mention of sewage backing up at the Service Address. Upon information and belief, Johnson Utilities alleges that there was no sewage backing up at the Service Address on or before March 7, 2015.

¹⁰ It takes the Johnson Utilities field technicians two or three days to post the courtesy notices regarding disconnection because the Company posts approximately 500 such notices each month.

¹¹ Formal Complaint Form at 2.

26. On Sunday, March 8, 2015, at 11:25 AM, Johnson Utilities received a phone message from Complainant stating that sewer service at the Service Address was disconnected and that there was sewage backing up in his bathroom. In response, the Company dispatched a field technician to the Service Address. Because weekend staff does not have access to the Company's billing system, when a disconnected sewer customer disputes the payment status of an account, the field technician removes the plug and instructs the customer to contact the customer service department first thing on the next business day. The field technician removed the plug at the Service Address on Sunday, March 8, 2015 and instructed Complainant to contact the Company's customer service department on the Monday, March 9, 2015 to address the past-due account balance.

- 27. Johnson Utilities alleges that on Monday, March 9, 2015, Complainant contacted the Company's customer service department and stated that he had just arrived home from out of town and found the disconnection notice on his door. A Johnson Utilities customer service representative explained to Mr. Rack that the last payment received on the Marlene Rak Account was December 10, 2014. Complainant became very agitated.
- 28. Complainant proceeded to contact Johnson Utilities via telephone at least 15 times on March 9, 2015. In addition, Mr. Rak came to the Company's business office in person that same day. Mr. Rak accused the Company of trespassing on his property and stated that Company personnel were banned from his property. He further warned that he would do whatever it takes to defend his property. Johnson Utilities has recordings of the telephone calls from Complainant.
- 29. Notwithstanding Complainant's agitated state, the Company's customer service department worked with Complainant to establish sewer service in his name at the Service Address, which was effective as of March 10, 2015.
- 30. Johnson Utilities alleges that there are several ways a new customer can establish service with Johnson Utilities. An applicant may complete a service application on the Company's website. Alternatively, an applicant may establish service over the telephone or may come to the business office in person. Complainant was advised that if he would provide a copy of the death certificate for Ms. Rak, Johnson Utilities would waive the security deposit and

- 31. Johnson Utilities admits that Complainant brought a copy of Ms. Rak's death certificate to the business office on March 9, 2015. Johnson Utilities alleges that service was established in the name of Complainant as of March 10, 2015. Johnson Utilities waived the security deposit and account establishment fee for Complainant.
- 32. Complainant alleges that he spoke to a female at Johnson Utilities who told him he was banned from using the Company's services and asked him to leave the Company's office. 12 Johnson Utilities alleges that Complainant spoke via telephone or in person to a number of people at the Company's business office on March 9, 2015. Johnson Utilities further alleges that while Complainant was in the Company's lobby, he became loud and upset. In response, a Johnson Utilities customer service supervisor told Complainant that if he could not maintain his composure, he would be asked to leave the premises. Johnson Utilities alleges that Complainant finished his business with the Company and left the premises without further incident. Johnson Utilities denies that any person at the Company told Complainant that he was banned from using the Company's service. To the contrary, Johnson Utilities alleges that Company employees were attempting to help Mr. Rak establish service in his name, which was accomplished.
- 33. Complainant alleges that only "[a]fter ACC contacted them on my behalf did they finally contact me and had me bring my mother's death certificate to their [office] in April 2015..." Johnson Utilities alleges that representatives of the Company and Complainant spoke and met on March 9, 2015 to establish service in Complainant's name, and that service was established as of March 10, 2015. Johnson Utilities alleges that it received a copy of Ms. Rak's death certificate from Complainant on March 9, 2015, and that as a result, the Company waived the security deposit and account establishment fee for Mr. Rak. Johnson Utilities alleges that all of these activities occurred prior to the date that Johnson Utilities received an informal complaint

¹² Letter from Brian Rak to Arizona Corporation Commission dated 6/26/2015 at 2.

¹³ Formal Complaint Form at 2.

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from the Commission on March 11, 2015.

- 34. Johnson Utilities alleges that it sends monthly bills for sewer service via U.S. Mail to the Service Address. Johnson Utilities further alleges that it mailed bills to the Service Address in July, August, September, October, November and December 2014. The Company received timely and complete payment on each one of these bills. Upon information and belief, it was the Complainant who paid the bills.
- 35. Johnson Utilities alleges that it mailed bills to the Service Address in January and February 2015. Johnson Utilities alleges that it did not ever receive payment for these bills.
- 36. In addition to monthly bills, Johnson Utilities alleges that it sent two separate disconnection notices to the Service Address via U.S. Mail on or about January 19, 2015 and on or about February 18, 2015.
- 37. Johnson Utilities alleges that between February 25, 2015 and February 27, 2015, it posted a courtesy notice on the front door of the Service Address regarding the pending disconnection of sewer service.
- 38. Johnson Utilities alleges that new sewer service cannot be established by handwriting a note on a payment coupon which is mailed to the Company along with thousands of other payment coupons each month.
- 39. Complainant alleges that he gave Johnson Utilities his e-mail address and phone number.¹⁴ Johnson Utilities denies that Complainant provided his e-mail address or phone number prior to the Company prior to the date on which service was disconnected, except for the e-mail address that was used to establish an e-bill account via the Internet.
- 40. Complainant alleges that as a result of the disconnection of service at the Service Address, "sewage and human waste backed up into my home and caused over \$10,000 dollars in damages which came from an estimate done by Servpro."15 Johnson Utilities denies that it has any liability for any damages caused at the Service Address resulting from the Company's lawful disconnection of sewer service. Johnson Utilities further alleges that Complainant's damages, if

¹⁴ Formal Complaint Form at 2.

¹⁵ Formal Complaint Form at 2.

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any, were caused by Complainant's failure to comply with A.A.C. R14-2-603. Regarding the remaining allegations, Johnson Utilities lacks information or knowledge sufficient to form a belief as to the truth of these allegations and therefore denies the same.

41. Complainant alleges that Johnson Utilities is liable for punitive damages for aggravating Complainant's mental illness. Johnson Utilities denies that it is liable to

RESPONSES TO SPECIFIC ALLEGATIONS IN THE COMPLAINT ALLEGATION NO. 1.

Complainant for punitive damages. Johnson Utilities further alleges that the Commission is

42. Complainant alleges that Johnson Utilities violated A.A.C. R14-2-603 (A)(2) and (D)(2).

COMPANY RESPONSE TO ALLEGATION NO. 1.

43. A.A.C. R14-2-603(A)(2) states as follows:

without authority to assess punitive damages.

Each utility may require a new applicant for service to appear at the utility's designated place of business to produce proof of identity and sign the utility's application form.

44. A.A.C. R14-2-603(D)(2) states as follows:

For the purpose of this rule, service establishments are where the customer's facilities are ready and acceptable to the utility and do not require construction on the part of the utility.

45. Complainant has failed to allege facts establishing that Johnson Utilities violated A.A.C. R14-2-603(A)(2) or (D)(2). Johnson Utilities denies that it has violated A.A.C. R14-2-603(A)(2) or (D)(2) or any other provision of A.A.C. R14-2-603.

ALLEGATION NO. 2.

46. Complainant alleges that Johnson Utilities violated A.A.C. R14-2-604(A).

COMPANY RESPONSE TO ALLEGATION NO. 2.

- 47. A.A.C. R14-2-604(A) states as follows:
- A. Information for residential customers
- 1. Each utility shall make available upon customer request not later than 60 days from the date of request a concise summary of the rate schedule

¹⁶ Formal Complaint Form at 1.

1	applied for by such customer. The summary shall include the following:
1	a. Monthly minimum or customer charge, identifying the amount of the charge and the specific amount of minimum discharge
2	included in the minimum charge, where applicable.
3	b. Rate calculation, including where applicable, computations based upon seasonal or annual water usages.
5	2. The utility shall to the extent practical identify the tariff most advantageous to the customer and notify the customer of such prior to service
6	commencement.
7 8	3. In addition, a utility shall make available upon customer request not later than 60 days from the date of request a copy of the Commission's rules and regulations governing:
9	a. Deposits
10	b. Terminations of service c. Billing and collection d. Complaint handling.
11	4. Each utility shall inform all new customers of their rights to obtain
12	the information specified above.
13	48. Complainant has failed to allege facts establishing that Johnson Utilities violated
14	A.A.C. R14-2-604(A). Specifically, without limiting the generality of the foregoing sentence,
15	Complainant has failed to allege that he requested any of the information listed in A.A.C. R14-2-
16	604(A). Johnson Utilities denies that it has violated A.A.C. R14-2-604(A) or any other provision
17	of A.A.C. R14-2-604.
18	ALLEGATION NO. 3.
19	49. Complainant alleges that Johnson Utilities violated A.A.C. R14-2-605(A)(1).
20	COMPANY RESPONSE TO ALLEGATION NO. 3.
21	50. A.A.C. R14-2-605(A)(1) states as follows:
22	After an applicant has complied with the utility's application and deposit requirements and has been accepted for service by the utility, the utility shall schedule that customer for service connection.
23	51. Complainant has failed to allege facts establishing that Johnson Utilities violated
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25	A.A.C. R14-2-605(A)(1). Johnson Utilities denies that it has violated A.A.C. R14-2-605(A)(1)
26	or any other provision of A.A.C. R14-2-605.
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ALLEGATION NO. 4.

52. Complainant alleges that Johnson Utilities violated A.A.C. R14-2-607(A)(1).

COMPANY RESPONSE TO ALLEGATION NO. 4.

53. A.A.C. R14-2-607(A)(1) states as follows:

Each utility shall be responsible for the safe conduct and handling of the sewage from the customer's point of collection.

54. Complainant has failed to allege facts establishing that Johnson Utilities violated A.A.C. R14-2-607(A)(1). Johnson Utilities denies that it has violated A.A.C. R14-2-607(A)(1) or any other provision of A.A.C. R14-2-607.

ALLEGATION NO. 5.

55. Complainant alleges that Johnson Utilities violated A.A.C. R14-2-610(A).

COMPANY RESPONSE TO ALLEGATION NO. 5.

- 56. A.A.C. R14-2-610(A) states as follows:
- A. Customer service complaints
- 1. Each utility shall make a full and prompt investigation of all service complaints made by its customers, either directly or through the Commission.
- 2. The utility shall respond to the complainant and/or the Commission representative within five working days as to the status of the utility investigation of the complaint.
- 3. The utility shall notify the complainant and/or the Commission representative of the final disposition of each complaint. Upon request of the complainant or the Commission representative, the utility shall report the findings of its investigation in writing.
- 4. The utility shall inform the customer of his right of appeal to the Commission should the results of the utility's investigation prove unsatisfactory to the customer.
- 5. Each utility shall keep a record of all written service complaints received which shall contain, at a minimum, the following data:
 - a. Name and address of the complainant
 - b. Date and nature of the complaint
 - c. Disposition of the complaint
 - d. A copy of any correspondence between the utility, the customer, and/or the Commission.

This record shall be maintained for a minimum period of one year and shall be available for inspection by the Commission.

57. Complainant has failed to allege facts establishing that Johnson Utilities violated
A.A.C. R14-2-610(A). Johnson Utilities alleges that on Wednesday, March 11, 2015, it received
from the Commission Informal Complaint No. 2015-121366 filed by Mr. Rak. Johnson Utilities
alleges that it made a full and prompt investigation of the informal complaint and provided a
written response regarding the final disposition of the complaint to the Commission on March 19,
2015. Johnson Utilities denies that it has violated A.A.C. R14-2-610(A) or any other provision
of A.A.C. R14-2-610.

58. Johnson Utilities specifically denies any and all allegations of the Complaint not expressly admitted in this Answer.

AFFIRMATIVE DEFENSES

- 1. The Complaint fails to state a claim upon which relief can be granted.
- 2. Any damage sustained by Complainant was a result of Complainant's failure to comply with A.A.C. R14-2-603 and/or other requirements applicable to the establishment of service.
- 3. At all times, Johnson Utilities acted in conformance with all applicable laws, rules and regulations.
- 4. Johnson Utilities asserts all applicable affirmative defenses contained in Rule 8(c) of the Arizona Rules of Civil Procedure.
 - 5. Complainant's claims may be barred by the applicable statute of limitations.
- 6. Discovery may reveal the existence and applicability of additional affirmative defenses. Johnson Utilities hereby preserves the right to assert additional affirmative defenses which may be found to apply as a result of discovery.
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RELIEF REQUESTED 1 Having answered the Complaint, Johnson Utilities hereby requests that the Commission 2 issue its order as follows: 3 Denying the relief sought by Complainant and dismissing the Complaint entirely; 4 and 5 В. Granting such other and further relief as the Commission determines just and 6 proper. 7 FILED this 11th day of August, 2015. 8 CROCKETT LAW GROUP PLLC 9 10 Jeffrey W Crockett, Esq. 11 1702 East Highland Avenue, Suite 204 12 Phoenix, Arizona 85016-4665 CROCKETT LAW GROUP PLLC 1702 East Highland Avenue, Suite 204 Phoenix, Arizona 85016 602.441.2775 Attorney for Johnson Utilities, L.L.C. 13 **ORIGINAL** and thirteen (13) copies 14 filed this 11th day of August, 2015, with: 15 **Docket Control** ARIZONA CORPORATION COMMISSION 1200 West Washington Street 16 Phoenix, Arizona 85007 17 **COPIES** of the foregoing hand-delivered 18 this 11th day of August, 2015, to: 19 Dwight Nodes, Chief Administrative Law Judge Hearing Division 20 ARIZONA CORPORATION COMMISSION 1200 West Washington Street Phoenix, Arizona 85007 21 22 Janice Alward, Chief Counsel Legal Division 23 ARIZONA CORPORATION COMMISSION 1200 West Washington Street Phoenix, Arizona 85007 24 25 Thomas Broderick, Director **Utilities Division** 26 ARIZONA CORPORATION COMMISSION 1200 West Washington Street 27 Phoenix, Arizona 85007

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CROCKETT LAW GROUP PLLC 1702 East Highland Avenue, Suite 204 Phoenix, Arizona 85016 602.441.2775 **COPY** of the foregoing sent via First Class U.S. Mail And e-mail this 11th day of August, 2015, to:

Mr. Brian Rak 1343 E. Santa Fiore Street San Tan Valley, Arizona 85140 E-mail: <u>brian37az@cox.net</u>

Juff Crockett